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2 March 1988

MEMORANDUM FOR: Deputy Director of Personnel for
Compensation, Automation and Planning

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FROM:

Chief, Flexible Benefits Branch

SUBJECT: Lantos Panel Hearing

Attached is a summary of the testimony, as well as individual briefs, given by each respective participant in the Flexible Benefits hearing on Tuesday morning 1/3/88. On the whole the presentations were very upbeat with the usual cautions outlined by OPM and GAO about the "newness" of these type of programs and the drain on U. S. Treasury and the wish of some critics that the revenue loss would be turned instead into expenditures to correct the 24% competitive salary gap in the GS schedule. All agree that flexible benefit programs are the ultimate solution and would benefit employers and employees alike.

Congressman Lantos asked alot of questions and seemed particularly irritated that OPM had not seriously re-visited this issue for about ten years and had not specifically asked TPF&C to look into the question in their current FEHB study. He was more concerned with the equity of granting pre-tax treatment to Federal, as well as private sector employees, than he was with the additional negative impact on Treasury revenues, if flexible benefits were extended to Federal employees.

Testimony was given that, as an alternative to introducing a Federal-wide full cafeteria program, two other approaches could be followed:

°Introduce a limited feature flexible plan within all Agencies.

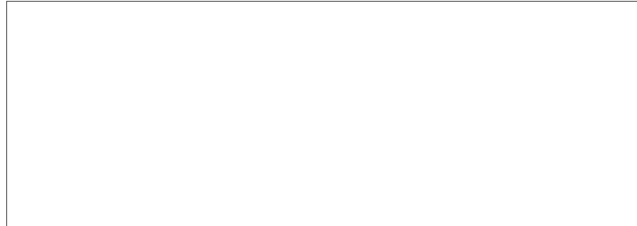
°Select one Agency, as a testbed. and introduce a full cafeteria plan with all available features.

Congressman Lantos favors the idea of selecting a single Agency for a testbed and introducing a full scale program as a pilot. The Director of OPM stated that she did not have authority to do this. The Congressman indicated that legislative obstacles could be overcome and said that the Congress might soon direct that this be done. While he favors an Agency with a highly diversified workforce and a union environment, this does open the door to a possible arrangement allowing the Agency to act as a pilot in this effort. Although we may not totally meet their profile, we can demonstrate readily that we have widespread acceptance, one year experience in planning and will soon have a proposed plan ready.

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I would particularly call your attention to the American Society of Public Administration (ASPA) testimony. ASPA has proposed an incremental implementation of a flexible benefits program with the first phase to be pre-tax treatment of employee health insurance premiums. It is essentially identical to our proposed plan.

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Attachment:
As stated

cc: C/PCS&D